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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday 5 July 1978

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NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for Wednesday, 5 July 1978

The NID Cable is for the purpose of informing senior US officials.

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CHINA-VIETNAM: Relations

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[redacted] China's announcement on Monday that it was terminating all aid to Vietnam because of continued mistreatment of Vietnam's Chinese community was largely symbolic, but the Chinese also have taken other economic and political countermeasures against the Vietnamese. [redacted]

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[redacted] The announcement that China was withdrawing all its technicians and advisers was probably made mainly for its psychological impact on the Vietnamese; most significant Chinese aid programs--21 major projects and over 50 smaller ones--were suspended last month. The statement does, however, add a note of finality that Peking may hope will demoralize the already economically troubled Vietnamese.

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[redacted] The announcement follows signs that Peking is causing problems with a longstanding arrangement that has enabled Soviet bloc countries and Vietnam to use China's railroads to exchange goods and personnel. [redacted]

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[redacted] last week the Soviet press complained that Peking had begun "prohibiting and restricting" East European and Vietnamese rail shipments. [redacted]

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[redacted] China, however, has so far refrained from all-out economic warfare against Vietnam. Chinese merchant ships continued to pick up cargoes of coal and iron ore at Vietnamese ports last month, indicating that Peking is still honoring existing trade agreements. [redacted]

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[redacted] On Monday the Chinese responded in an unusually direct and authoritative manner to recent Soviet propaganda efforts to use Chinese actions against Vietnam to create apprehensions among other Southeast Asian nations with large overseas Chinese

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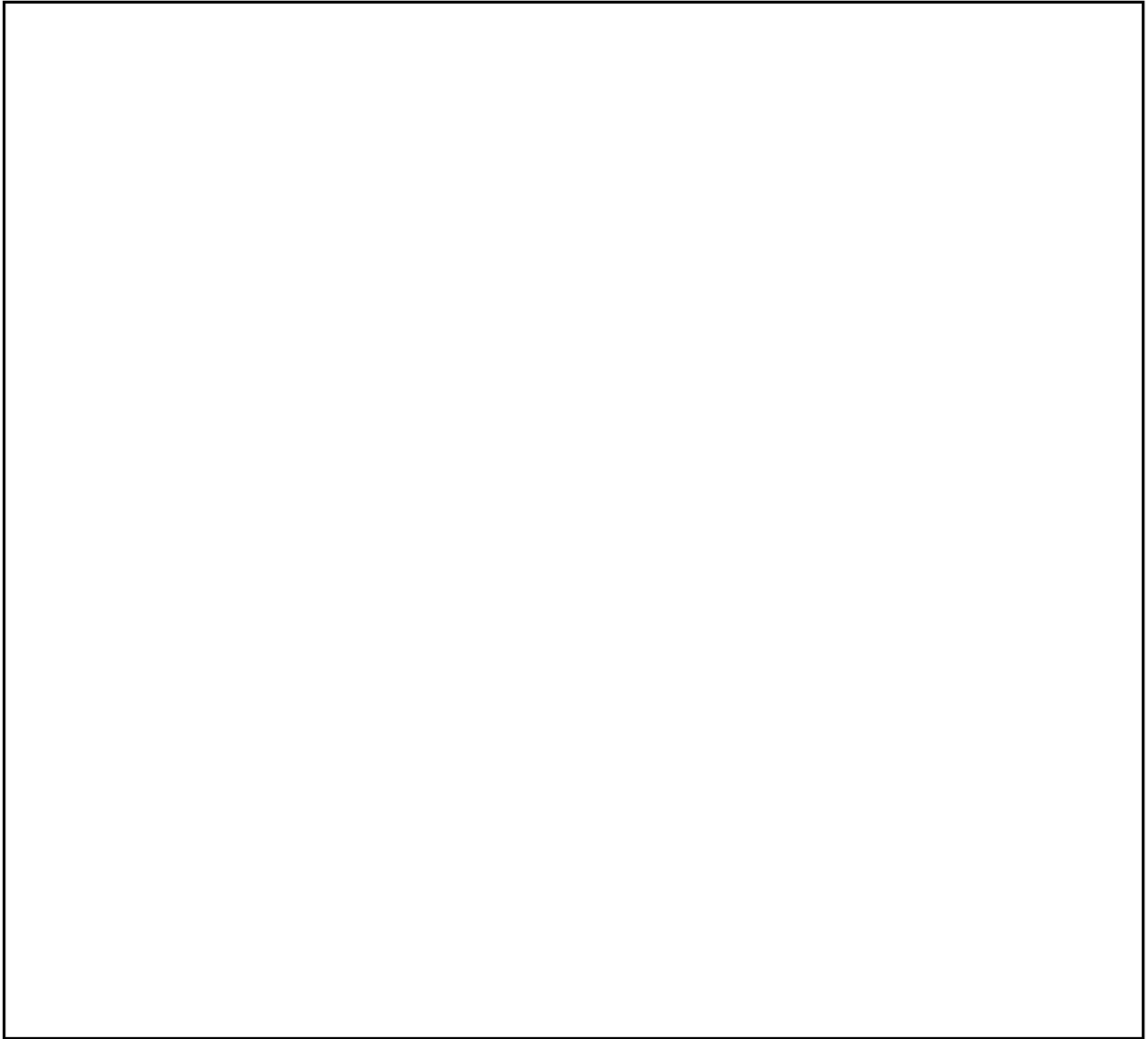
communities. An editorial in *People's Daily* denied as "vile slanders" recent Soviet charges that China's promulgation early this year of new policies on overseas Chinese, coupled with the development of the Sino-Vietnamese dispute, presages the emergence of a Chinese "fifth column" throughout Southeast Asia.

[] The editorial spelled out Peking's new policies toward overseas Chinese in a manner that made clear China is concerned that some Southeast Asian nations might overreact to the Sino-Vietnamese dispute. So far, however, most government leaders in the region seem to recognize that the dispute over Vietnam's Chinese community is a manifestation of more fundamental Sino-Vietnamese differences.

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SOUTH YEMEN: Situation Report

[Redacted] We cannot confirm that significant hostilities have broken out between South and North Yemen. In the meantime, the Arab League's decision to curtail economic and technical assistance to South Yemen could seriously hamper the country's

development efforts. The South Yemeni regime, which may still be preoccupied with internal developments, has expanded its Presidential Council.

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[] We have no information to substantiate the claim made early this week in Beirut by South Yemen's Communications Minister that North Yemeni forces were attacking his country. It is possible, however, that irregular or tribal units from North Yemen are conducting cross-border harassment operations as a means of expressing their displeasure with the South Yemeni Government.

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[] South Yemeni officials might be inclined to play up such incidents in an attempt to counter North Yemen's efforts to rally the Arab world against the Aden regime. The alleged incidents, said to have occurred near Bayhan, could also be related to the defection of a South Yemeni military unit as reported by the North Yemeni Foreign Minister on Friday.

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[] The North Yemeni diplomatic campaign had some success when Arab League foreign ministers voted on Sunday to "freeze" political and diplomatic relations with South Yemen and to end economic and technical assistance to the Aden regime. Libya, Iraq, Algeria, and Syria boycotted the League meeting, however, and some of these states could ignore the decisions.

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[] If the participating Arab League members in fact carried out their threat to halt aid, South Yemen's plans for economic development could be seriously affected. Over 40 percent of foreign-financed projects at the end of 1977 were to be funded through bilateral and multilateral deals with Arab states. World Bank projects involving cofinancing with Arab funds may also be affected.

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[] //South Yemen's balance-of-payments position might deteriorate even more drastically. About 75 percent of the country's imports are covered by grants, worker remittances, and official loans. Saudi Arabia furnished half of the \$100 million in grants received by South Yemen during 1976-77. []

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25X1 [] //On the other hand, the negative effects of Arab economic measures will be partially mitigated by the fact that much of South Yemen's economy is at the subsistence level and thus relatively immune to outside pressures.//

25X1 [] South Yemeni exiles recently resumed clandestine anti-Aden broadcasts, presumably from Saudi territory. Similar broadcasts were made by the exiles before Saudi - South Yemeni relations improved several years ago.

25X1 [] On Saturday, Aden announced the formation of an expanded Presidential Council. The announcement reaffirmed the appointment of Prime Minister Hasani as Chairman and confirmed that Ismail remained on the Council. It also identified Defense Minister Ali Antar and Foreign Minister Muhammad Salih Yafai as Council members. [] 25X1

CHAD-LIBYA: Continued Dispute

25X1 [] //Chadian officials are concerned about Libya's growing support to the antigovernment rebels and are not optimistic that negotiations will resolve the protracted dispute between the regime and the insurgents.//

25X1 [] //In recent conversations with US Ambassador Bradford in Ndjamena, senior Chadian officials said they believe that Libya--with Soviet backing--will soon increase its military activities in support of the insurgents. Although we have no reports of new military activity and do not expect Libya to increase its activities in Chad until after the OAU summit later this month, the rebels have reinforced their position at Salal [] 25X1

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[] The latest phase of the Chad-Libyan peace negotiations convened in Tripoli yesterday. All parties--including the rebels--are reported to be participating. Rebel leader Goukouni's statements from Tripoli on the eve of the talks indicated that he intends to take a hard line.

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[] The rebels apparently plan to press their insistence on the withdrawal of foreign forces from Chad. The timing of a withdrawal of French troops from Chad and a rebel retreat to battle lines held last March is a major point of disagreement between the two sides. Although the Chadians apparently dropped their opposition to Libya as the site for the talks, they are not optimistic that any lasting peace will be achieved through negotiations. []

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GUINEA-BISSAU: Soviet Relations

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[] *Guinea-Bissau seems to be distancing itself from its Soviet benefactors and adopting a more nonaligned stance.*

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[] The Guinea-Bissau Government's increasing economic problems and its growing dissatisfaction with the level and quality of Soviet assistance have apparently prompted a re-evaluation of its previously close alignment with Moscow. The USSR was the principal military supplier of the Guinea-Bissau rebels during their struggle with Portugal, and it has maintained that role since independence was granted in 1974.

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[] The Guineans seem especially unhappy with what they consider exploitation by the Soviets in fishing rights agreements between the two countries.

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[] The government's dissatisfaction with the Soviets was evident last year when a congress of the ruling party emphasized nonalignment and omitted identifying the party with any ideology. More recently, President Cabral was reported to have told some of his ministers they should stop being deferential to the Soviets.

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[] Cabral [] could not support the Soviet line on the recent invasion of Zaire's Shaba Region. He [] planned to demonstrate his displeasure with Moscow by refusing to give in to Soviet pressure that he attend the OAU summit this month, where discussion of Western support for the peacekeeping force in Zaire is likely to be featured.

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[] Last week Cabral hosted a meeting between the Portuguese and Angolan Presidents; recent reporting indicates that the Soviets may have raised objections to the meeting. Next week Cabral plans to visit Mozambique, where he may try to improve relations between Maputo and Lisbon. []

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USSR: Party Plenum

The Soviet Central Committee, meeting for the first time this year, devoted a two-day session that ended yesterday to discussion of a report by President Brezhnev on plans for the development of agriculture. The frequency with which Brezhnev has returned to the subject of agriculture over the years reflects the leadership's continuing concern with this lagging sector--particularly with the adverse effects on public morale of chronic food shortages. No major personnel actions were announced at the plenum.

Brezhnev acknowledged that key production goals for the first two years of the present five-year plan had not been met. He admitted, as he has in previous speeches, that livestock production in particular is still not keeping up with growing consumer demand.

To keep the food problem from worsening, Brezhnev stated that target figures for the 11th Five-Year Plan (1981-85) would have to be "rather high," and that top priority is to be given to meat production. In support of the livestock program, he called for a highly ambitious average annual grain output of between 238 million and 245 million tons in 1981-85.

If average weather conditions prevail throughout this period, we estimate that annual grain output will be roughly 10-15 million tons below Brezhnev's target, requiring continued large imports of grain to achieve meat and other livestock goals. Moreover, even with achievement of Brezhnev's meat production target of 19.5 million tons for 1985, the gap between supply and demand for meat--estimated currently at 2.5 million tons--will widen if consumer demand continues to rise in accordance with recent rates of growth in household incomes, and if the regime meets its explicit commitment not to raise prices of meats.

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[] The Soviet leadership is apparently not contemplating any basic reforms or major new approaches in its effort to meet these goals. Brezhnev reiterated what have long been the main elements of the regime's agricultural program--continued high investment in the agricultural sector and the development of modern, large-scale specialized farming. At the same time, he stressed the need to "perfect the economic mechanism" and announced that procurement prices would be raised on certain agricultural products beginning next January in an attempt to stimulate higher production.

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[] Brezhnev also repeated his admonition, first voiced in October 1976, that greater attention and assistance must be given to private farm plots. He confirmed that there has been an important policy change--the scuttling of ambitious future plans for high-rise urban-type housing in the countryside--as a result of renewed official interest in the private plots; rural construction, he said, should be oriented to ensuring that families, as a rule, have separate houses with surrounding garden plots and out buildings for livestock and poultry. This shift suggests that the present encouragement of the private sector may not be as short-lived as similar previous campaigns.

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[] The plenum approved Brezhnev's report at its closing session and elevated one candidate member of the Central Committee to full membership status. No changes were announced in the composition of the Politburo or party Secretariat.

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[] The status of Fedor Kulakov, the party secretary charged with supervision of the agricultural sector, appears somewhat uncertain, particularly in view of the critical tone of Brezhnev's report on agriculture. While Kulakov was given the honor of representing the Soviet party at the recently held Yugoslav party congress, he has been slighted in recent leadership lineups--standing last among the full members of the Politburo. The seating arrangement for the leadership at the USSR Supreme Soviet, which opens in Moscow today, may shed further light on his current standing. []

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